

1                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2       **MARC SPITZER**

3           Chairman

4       **WILLIAM A. MUNDELL**

5           Commissioner

6       **JEFF HATCH-MILLER**

7           Commissioner

8       **MIKE GLEASON**

9           Commissioner

10       **KRISTIN K. MAYES**

11           Commissioner

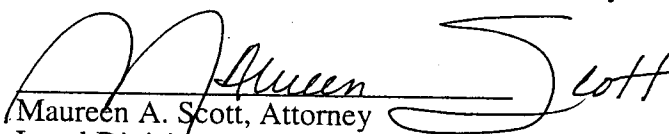
12       **IN THE MATTER OF ILEC UNBUNDLING**  
13       **OBLIGATIONS AS A RESULT OF THE**  
14       **FEDERAL TRIENNIAL REVIEW ORDER**

Docket No. T-00000A-03-0369

**NOTICE OF FILING**  
**STAFF REPORT**

15       Staff of the Arizona Corporation Commission ("ACC") hereby files its Staff Report on  
16       the 90-day phase of this case. Staff recommends that the Commission not seek a waiver of the  
17       national finding that Competitive Local Exchange Carriers ("CLECS") are not impaired without  
18       access to unbundled local switching for enterprise customers served by high-capacity loops.  
19       Staff further recommends that a hearing should not be held in this matter, and that the  
20       Commission terminate the 90-day phase of this proceeding.

21                   RESPECTFULLY submitted this 15<sup>th</sup> day of December, 2003.

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29       15<sup>th</sup> day of December, 2003 with:

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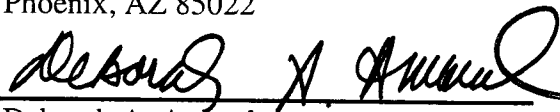
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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**

**IN THE MATTER OF ILEC UNBUNDLING OBLIGATIONS AS A RESULT OF THE  
FEDERAL TRIENNIAL REVIEW ORDER**

**DOCKET NO. T-00000A-03-0369**

**2003**



## STAFF ACKNOWLEDGMENT

The Staff Report in the Matter of ILEC Unbundling Obligations as a Result of the Federal Triennial Review Order, Docket No. T-00000A-03-0369, was the responsibility of the Staff member listed below. Matt Rowell was responsible for the review and analysis of the issues in this Staff Report.

A handwritten signature in black ink, appearing to read "Matt Rowell", with a stylized, cursive script.

Matt Rowell  
Chief Economist

**EXECUTIVE SUMMARY**  
**IN THE MATTER OF ILEC UNBUNDLING OBLIGATIONS AS A RESULT OF THE**  
**FEDERAL TRIENNIAL REVIEW ORDER**  
**DOCKET NO. T-00000A-03-0369**

On August 21, 2003, the Federal Communications Commission ("FCC") released its Report and Order on Remand and Further Notice of Proposed Rulemaking, *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 01-338, 96-98, and 98-147 ("Triennial Review Order" or "TRO").

The FCC made a presumptive national finding that local circuit switching for business (enterprise) customers served by high-capacity loops will no longer be unbundled for Competitive Local Exchange Carriers ("CLECs") due to a finding of no impairment. Individual State Commissions have 90 days from the effective date of the TRO to rebut this national finding.

No CLECs in Arizona requested that the Commission rebut the national finding of no impairment. In addition, few business customers in Arizona are being served by CLECs using unbundled high-capacity loops with unbundled local circuit switching.

Staff recommends that the Commission refrain from rebutting the national finding that CLECs are not impaired without access to unbundled local switching for enterprise customers served by high-capacity loops.

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## **Introduction**

On August 21, 2003, the Federal Communications Commission ("FCC") released its Report and Order on Remand and Further Notice of Proposed Rulemaking, *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 01-338, 96-98, and 98-147 ("Triennial Review Order" or "TRO").

In the TRO, the FCC made a presumptive national finding, among other findings, that local circuit switching for business customers (also known as enterprise customers) served by high-capacity loops (i.e., DS-1s and higher) will no longer be unbundled for Competitive Local Exchange Carriers ("CLECs") due to a finding of no impairment. The TRO states that individual State Commissions have 90 days from the effective date of the TRO to rebut this national finding. Since the TRO has an effective date of October 2, 2003, State Commissions must rebut the national finding by December 30, 2003. If a State Commission decides to not rebut the national finding, then the State Commission is not required to act.

## **Analysis**

On October 1, 2003, a Procedural Order was issued which ordered interested parties to state whether they intended to file evidence in support of a finding of impairment for local circuit switching on high-capacity loops for enterprise customers. Parties were required to respond by October 17, 2003. In response to this Procedural Order, the following parties filed comments: Allegiance Telecom, Inc. ("Allegiance"); AT&T Communications of the Mountain States ("AT&T"); Cox Arizona Telcom, LLC ("Cox"); Sprint Communications Company L.P. ("Sprint"); WorldCom, Inc. ("MCI"); and XO Arizona, Inc. ("XO"). All of these parties stated that they would not be filing evidence in support of a finding of impairment.

Staff issued its First Set of Data Requests to all ILECs in Arizona on October 3, 2003. Staff asked each ILEC in the State of Arizona to provide the number of high-capacity unbundled loops with unbundled local switching combinations the ILEC was providing to CLECs. Staff also asked each ILEC to provide the total number of unbundled high-capacity loops the ILEC was providing to CLECs, including those with unbundled local switching combinations and those without. Of the fifteen ILECs in Arizona, only CenturyTel of the Southwest, Inc. and Verizon California, Inc. did not respond. All ILECs that responded, except Qwest, stated that they are not providing unbundled high-capacity loops to CLECs. Qwest stated that it provides 25 combinations of high-capacity loops with unbundled local switching to CLECs. Qwest also stated that it provides a total of 2259 unbundled high-capacity loops to CLECs (with and without unbundled local switching combinations). Therefore, 1.1 percent of the total unbundled high-capacity loops that Qwest provides to CLECs are combinations with unbundled local switching.

### **Conclusion**

Based on the information provided by the companies (CLECs and Qwest) and limited demand by CLECs for unbundled high-capacity loops with unbundled local switching, Staff believes that the FCC's finding that CLECs are not impaired without access to local switching for enterprise customers served by high-capacity loops should be adopted. Staff also believes that the fact that no CLEC initiated a proceeding to rebut the national finding confirms Staff's finding.

Staff recommends that the Commission refrain from rebutting the national finding that CLECs are not impaired without access to unbundled local switching for enterprise customers served by high-capacity loops. Staff further recommends that a hearing should not be held in this matter.